

Message Text

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43

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 AID-20 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 USIA-15 XMB-07 IGA-02 DRC-01 /136 W

----- 074281

R 151815Z APR 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9689

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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EO 11652: N/A

TAGS: EIND, CO, VE, EC, CI, PE

SUBJ: ANDEAN PACT: AUTOMOBILE INDUSTRY PROGRAM

REF: LIMA A-72

1. IN CONTRAST TO PETROCHEMICAL PROGRAM (REFAIR), WHICH IS EXPORT ORIENTED THE AUTOMOBILE INDUSTRY INTEGRATION PLAN IS ORIENTED TOWARD PRODUCTION FOR PROTECTED SUBREGIONAL MARKET WITHOUT REASON-ABLE PROSPECT FOR INTERNATIONAL COMPETITIVENESS. THE PLAN IS DEFENDED ON BASIS OF POTENTIAL EMPLOYMENT GAINS AND BY THE FACT THAT PRODUCTION PROCESSES IN AUTOMOBILE MANUFACTURE (FOUNDRY WORK, FORGING, MACHINING, ETC.) ARE THE FOUNDATION OF GENERAL INDUSTRIAL ADVANCEMENT. PRODUCTION EFFICIENCY IS ALSO STRESSED IN JUNTA PROPOSAL, BUT ONE GAINS THE IMPRESSION THAT THE PLAN HAS TOO MANY LOOSE ENDS AND IS TOO AMBITIOUS AND COMPLICATED TO BE IMPLEMENTED EFFECTIVELY IN PRESENT FORM. PROPOSAL IS CONSTRICTED BY ECONOMIC, SOCIAL AND POLITICAL CONSIDERATIONS, IN A SETTING WHERE INTERESTS OF COUNTRIES AND OF PRESSURE GROUPS DO NOT

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ALWAYS COINCIDE.

2. TWO MAIN LINES OF THOUGHT HAVE BEEN PREVALENT AMONG ANDEAN PLANNERS. ONE AIMED AT EFFICIENT COMPONENT MANUFACTURE IN AREAS OF COMPARATIVE ADVANTAGE SO THAT BALANCED IMPORT/EXPORT TRADE IN COMPONENTS WITH NON-ANDEAN COUNTIES COULD BE EXPANDED ON BASIS OF EFFICIENT ANDEAN PRODUCTION IN LIMITED BUT EXPANDING PRODUCT RANGE. THE OTHER AIMED AT INTEGRATED ANDEAN PRODUCTION OF VEHICLES WITHIN RELATIVELY SHORT TIME FRAME. UNFORTUNATELY, THE PROPOSAL IS ORIENTED MORE TOWARD THE LATTER APPROACH.

3. JUNTA PROPOSAL ALREADY IN HANDS OF ALL PRINCIPAL U.S. FIRMS IN AUTOMOTIVE INDUSTRY. REACTION IS GENERALLY NEGATIVE, IN PART BECAUSE IT REFLECTS THE HIGHLY UNPOPULAR NATIONAL POLICIES REGARDING REDUCTION OF NUMBER OF MODELS.

4. AIRGRAM ON DETAILS OF PROGRAM UNDER PREPARATION. IT SHOULD BE NOTED THAT THE CURRENT DRAFT OF THE PROPOSAL CAN BE MODIFIED BY JUNTA BEFORE IT IS FORMALLY PRESENTED TO COMMISSION ON APRIL 22. JUNTA RECOGNIZES THAT TIMING OF AUTOMOTIVE PROPOSAL NOT AS OPPORTUNE AS PETROCHEMICAL PROGRAM, ESPECIALLY IN VIEW OF ENERGY CRISIS. AMONG OTHER CONSIDERATIONS, \$50 MILLION CONCESSIONARY LOAN FROM VENEZUELAN GOVERNMENT TO ANDEAN DEVELOPMENT CORPORATION, WHICH IS UNDER PRELIMINARY DISCUSSION, WOULD REPORTEDLY FOCUS PRIMARILY ON PETROCHEMICAL PROJECTS.
BARNEBEY

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